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Internal Audit of WFP Operations in Mozambique

Office of the Inspector General
Internal Audit Report AR/22/02

February 2022



World Food
Programme



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I. Executive summary

WFP Mozambique Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Mozambique that focused on beneficiary management, cash-based transfers, supply chain, monitoring, finance, and human resources management. Due to COVID-19 restrictions, the audit took place in two stages: remotely in February 2021, covering the period from January 2020 to December 2020, and with interim conclusions issued internally in April 2021; in-country in October 2021 allowing the Office of Internal Audit to review subsequent events and the implementation of actions agreed in April 2021. Expenditure pertaining to the period amounted to USD 113 million.
2. WFP work in Mozambique focuses on areas of strength that add value to the national zero hunger agenda and prioritizes support for government programmes and institutions through six Strategic Outcomes, as defined in the Country Strategic Plan 2017–2021.
3. The audit focused on WFP's programme implementation under Strategic Outcomes 2 and 3 of the Country Strategic Plan, representing 80 percent of Country Strategic Plan expenditure in 2020.

Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / major improvement needed**¹. The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
5. In 2021, armed conflict in Mozambique's northern province of Cabo Delgado resulted in a two-fold increase of internally displaced persons, from 354,000 in December 2020 to over 830,000 people as of September 2021. In response, WFP staffing increased by 88 percent from 232 personnel in December 2020 to 437 as of October 2021. Critical positions were filled by short-term temporary personnel in supply chain, cash-based transfers, and monitoring. While such a scale-up is not atypical of WFP emergency response, it resulted in internal controls gaps in process areas such as cash-based transfers, beneficiary management, and supply chain, compounded by constraints to the mobility of national staff across regions to support the emergency response. As of October 2021, the country office was undertaking an internal organizational workforce planning process to realign its human resource capabilities with the evolving needs of the emergency response and second-generation Country Strategic Plan (2022–2026).
6. The country office rapidly scaled up its assistance given the significant increase of displaced individuals. Funding constraints equivalent to 51 percent of the needs-based plan (totalling USD 1 billion as of October 2021) forced the country office to cut rations by half (39 percent of daily calories) starting July 2021. In that context, targeting and prioritization of assistance were of paramount importance. The absence of institutionalized and formalized beneficiary targeting, and digitalized registration processes, tools and procedures, impacted the integrity of beneficiary data for programme implementation.
7. The inter-agency Complaints and Feedback Mechanism successfully captured complaints of alleged abuse of power² in the registration of internally displaced people³. The Office of Internal Audit's analysis of these allegations indicated that they were related to the manipulation of beneficiary lists, requiring a review of WFP beneficiary management processes and the roles of involved third parties. In consultation with the

¹ See Annex B for definitions of audit terms.

² Abuse of power refers to wrongful acts such as corruption, diversion, fraud perpetrated by local leaders and humanitarian workers, preventing beneficiaries from receiving humanitarian aid.

³ Linha Verde 1458 comprises two major platforms composed of a toll-free hotline (covering the country's 15 major languages of the affected areas) and an e-mail address.



National Institute of Disaster Management, the country office established strategies and coordination mechanisms at the provincial and district levels to better target its assistance to those most in need. These initiatives were in progress as of October 2021.

8. The country office formulated a vulnerability-based targeting process for internally displaced people and host communities to shift its focus from status to needs-based interventions. As of October 2021, consultations with key government counterparts were ongoing to facilitate data collection. Key steps remained outstanding, putting the timely completion of data collection and targeting processes at risk.

9. The ability of the country office to detect and mitigate potential fraud and corruption risks was limited by the use of manual beneficiary records and processes to manage internally displaced people's information. To address these limitations, the country office planned to conduct household-level on-site verifications. Access was not granted at the district level to perform these. The country office planned to perform beneficiary verification for all internally displaced people and, along with government counterparts and other humanitarian partners, had established beneficiary registration committees at provincial and district levels. Awaiting their full roll-out, interim procedures were put in place to minimize the risk of inclusion errors in beneficiary lists, strengthen the verification process during distributions and allow to actively target areas for further verification. Such procedures detected potential inclusion errors between 30 and 50 percent of the total number of beneficiaries.

10. Cash-based transfer mechanisms in Mozambique were primarily reliant on paper value and commodity vouchers, which are cumbersome to administer and inherently hard to manage. Speculative price increases ranging between 15 and 50 percent by some retailers during redemption periods were confirmed through field visits and engagements with community food distribution committees. The country office was finalizing a cash-based transfer strategy that included transitioning to other delivery mechanisms such as mobile money and digital value vouchers, to alleviate price speculation, and enhance the efficiency and transparency of cash transfers to beneficiaries.

11. From 2018 to 2020, up to 70 percent of food purchases (worth USD 54 million) was sourced from four vendors. Subsequent follow-up reconfirmed vendor concentration for purchases of USD 26 million in 2021 from the same vendors. Local suppliers struggled to meet WFP food safety and quality standards, leading to difficulties in the sourcing and procurement of food commodities. The country office confirmed in February 2021 that official food commodity import restrictions were not in place anymore, allowing for the importation of vegetable oil and greater sourcing flexibility going forward.

Actions agreed

12. The remote audit conducted in February 2021, with interim results issued in April 2021, resulted in the issuance of 35 agreed actions across six thematic areas. In its field mission in October 2021, the audit team could confirm significant progress was made in the implementation of the actions agreed in April 2021 (50 percent were effectively implemented). The audit wishes to commend the country office's proactive management. The consolidated results of both audit phases are reflected in this report with four high and six medium priority observations. Management has agreed to address the reported observations and implement the agreed actions by their respective due dates.

13. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.



II. Country context and audit scope

Mozambique

14. Mozambique is a low-income food-deficit country with a largely rural population. It was ranked 181 of 188 countries in the 2016 Human Development Index. The country is prone to natural disasters. It was severely hit by cyclones in 2019, leading to agricultural losses; destruction of infrastructure, assets, and livelihoods; and internal displacement. In addition, armed conflict in the Cabo Delgado province since 2017 has resulted in the displacement of over 730,000 people, threatening socioeconomic progress, agriculture production, access to basic services and exposing populations to protection risks.

15. Existing needs among vulnerable internally displaced populations and host communities due to the armed conflict were further compounded by COVID-19 restrictions. In response to the COVID-19 pandemic, WFP implemented various measures to adapt its operations, including several preventive measures at food distribution sites to mitigate the risk of contagion.

WFP operations in Mozambique

16. The Mozambique country office's (CO) Country Strategic Plan (CSP) for 2017–2022 had a total budget of USD 806 million. It focuses on adding value to the national zero hunger agenda, prioritizing government systems and support to institutions. Activities concentrate on resilience building, crisis response, home-grown school feeding and capacity building in the Ministry of Education, and of smallholder farmers.

17. In 2020, the recovery interventions following the 2019 cyclones were affected by the economic fallout, loss of livelihoods and the stringent emergency measures implemented by the Government to stem the COVID-19 outbreak. Rapidly intensifying conflict in the Cabo Delgado province led to the declaration of a Level-2 emergency in March 2019, extended by WFP and its partners in June 2021.

18. Mobile monitoring activities were scaled up across programme interventions to support the National Secretariat for Food Security and Nutrition and the National Institute of Disaster Management in keeping track of the food security and nutrition situation during the pandemic.

19. In 2020, WFP assisted 1.9 million beneficiaries with more than 42,000 metric tonnes of food transfers equivalent to USD 24 million and USD 37 million in cash-based transfers (CBT). In 2021, WFP scaled up its assistance to internally displaced people (IDP) in Cabo Delgado whose numbers grew from 250,000 beneficiaries in January 2021 to nearly 800,000 beneficiaries as of July 2021. For CBT, commodity vouchers accounted for over 74 percent of the transfers, value vouchers for 20 percent, and cash and mobile money were transferred through beneficiary electronic wallets for six percent. In 2021, up to 31 October, the total CBT value was USD 39 million.

20. In 2020 and 2021 WFP, together with the United Nations Children's Fund (UNICEF), delivered technical and operational support to the Government of Mozambique with its COVID-19 response intervention Post-Emergency Direct Social Assistance Programme, providing emergency cash assistance to approximately 85,000 beneficiaries living in urban and peri-urban areas. As of October 2021, a total of USD 2.4 million had been distributed using WFP mobile money digital transfer mechanism, and the intervention was planned to continue until the first quarter of 2022. WFP also worked to strengthen the capacity of government partners in emergency preparedness and response capacity.

21. Security risks, especially in the Cabo Delgado region remained high, and WFP continued to monitor and implement security risk management systems to protect employees, partners, and beneficiaries.

Objective and scope of the audit

22. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control processes related to WFP operations in Mozambique. Such audits contribute to the Office of Internal Audit's annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

23. The Office of Internal Audit developed a new audit approach for 2021 to adapt to COVID-19 constraints while increasing its audit coverage of country operations and providing assurance on five key areas of the end-to-end CO delivery process. The functional areas of focus were as shown in Figure 1.

Figure 1: Areas in audit scope



24. The audit focused on two activities within the CO's 2017–2021 CSP, under Strategic Outcomes 2 and 3, representing 80 percent of the total CSP requirements and covering the following activities:

- *Activity 3 – Provide cash and food and/food transfers to vulnerable households affected by the crisis*
- *Activity 4 – Strengthen the capacity of the government bodies responsible for the national home-grown school feeding programme*

25. The Office of Internal Audit tested essential controls outlined for each of the pre-determined areas in scope. The essential controls build on existing procedures and manuals and, where appropriate, have been discussed and validated with respective business units. Minimum controls as defined by WFP Management Assurance Project at the end of 2020 were considered and included when relevant. The Office of Internal Audit supplemented this pre-determined scope with a risk assessment to identify any additional processes that should be in scope for the audit. Based on this assessment, a review of human resources management was included. Reliance was placed on second-line assurance work, where relevant, to minimize duplication of efforts.

26. Fraud risk remained high with an alleged material fraud incident taking place in June 2021. The CO was proactive in establishing various measures to address internal control gaps designed to prevent and detect future incidents. Other allegations were being followed up at the time of the audit report finalization, associated with WFP crisis response interventions in Cabo Delgado. The internal audit took into consideration the risk of fraud and abuse of power when developing and executing its audit procedures.

27. Interim audit observations and agreed actions from the remote audit work completed in April 2021 were followed up in October 2021 by the audit team. The status of implementation of these interim actions has been incorporated in this audit report.



III. Results of the audit

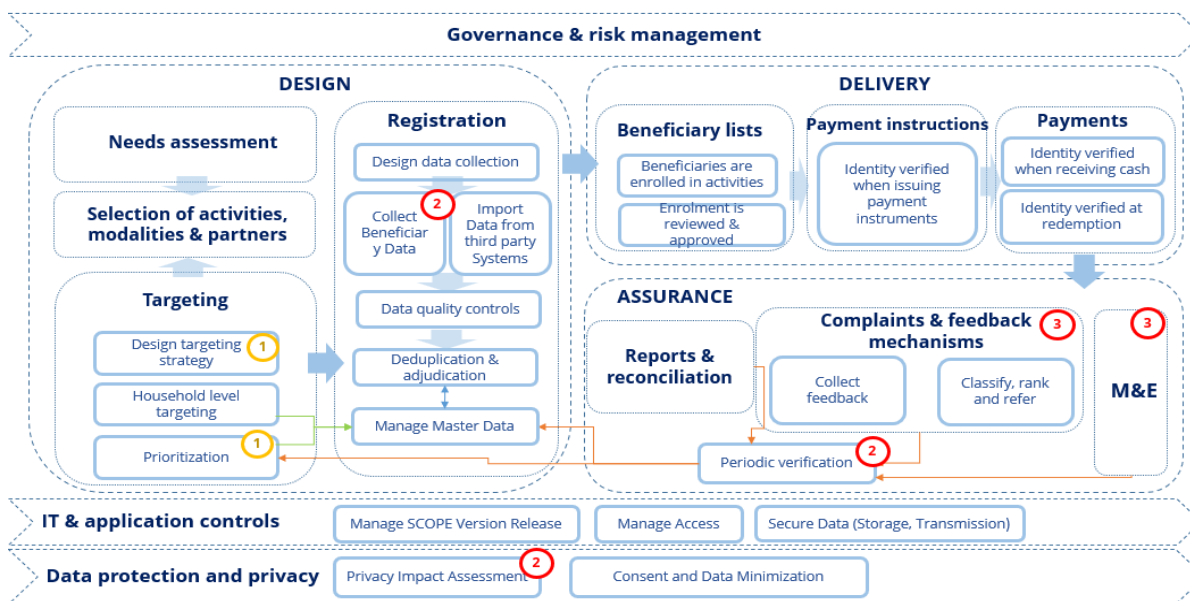
Audit work and conclusions

28. The 10 observations arising from the audit are presented below. They are grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 23), with an initial section to capture cross-cutting issues.

29. For each of the five functional areas, a simplified standard process diagram is included which indicates the key control areas reviewed by the audit and, when exceptions or weaknesses were noted, the audit observations to which they relate and their respective priority rating (red for high and yellow for medium priority observations). Any other issues arising from the audit which were assessed as low priority were discussed with the CO directly and are not reflected in the report nor indicated in the diagrams.

30. The issues identified in this report are mainly rooted in the contextual challenges of recurrent emergencies impacting the stability of organizational structures and staffing; limited workforce planning; absence of standardized and digital beneficiary management systems for crisis responses with downstream effects on the available options for transfer modality; limited capacity to manage protection cases reported through the complaints and feedback mechanism (CFM); and concentration of local food supply sourcing. Governance, organizational set-up and staffing, and operational process issues were also linked to some of the observations.

Beneficiary management



Observation 1: Targeting and prioritization of affected populations

Beneficiary targeting and registration standard operating procedures

31. The targeting criteria developed by the food security cluster (FSC) in 2017 for all food assistance interventions had not yet been endorsed by the relevant government partners more than three years later. In 2019, following the emergency responses to tropical cyclones Idai and Kenneth, the CO developed standard operating procedures (SOPs) to guide vulnerability-based assistance in non-conflict scenarios. Procedures for conflict scenarios, such as the one in Cabo Delgado, were developed following the Office of Internal Audit interim audit in April 2021 (see paragraph 35).



32. Based on the results of an outcome survey⁴ conducted in August 2020, the role of community committees in the beneficiary selection process (as defined in the SOPs) was still unclear to 41 percent of the respondents. Personnel changes at district and community levels impacted the timely implementation and application of vulnerability criteria.

33. Beneficiary management SOPs were in draft form and differed across field offices, impacting the consistency, accountability and clarity of roles needed to achieve harmonized beneficiary management processes. Cooperating partners (CPs) did not consistently collect mandatory data in the beneficiary registration forms.

Vulnerability-based targeting strategy

34. Elements critical to beneficiary data collection had not been approved by the government including:

- Provincial government counterpart agreed criteria (for IDPs and entire population) for the Vulnerability-Based Targeting (VBT) process and digital tools to be used for data collection and management.
- Concept note outlining the implementation strategy, resources and processes for the collection of beneficiary data – to be agreed by 31 December 2021 for rural communities.
- Final agreement to facilitate the VBT process.

35. As agreed with the Office of Internal Audit in its interim audit in April 2021, several improvements were brought to the process that the audit could observe in October 2021:

- Development of a draft FSC SOP and finalization of consultations with FSC members and government counterparts. Dissemination of the SOP was planned for the first quarter of 2022.
- Targeting procedures and criteria for conflict scenarios had also been developed.
- The current VBT process that started in August 2021 was being used as a basis for testing implementation.

Underlying causes: Application of blanket target assistance in the context of protracted emergencies; rapid scale-up of the emergency response overwhelming the CO's capacity to shift to VBT; high turnover of trained personnel in Government at district and community level; and recent VBT strategy and process initiatives.

Agreed Actions [Medium priority]

The country office will:

- i) Finalize the Food Security Cluster's standard operating procedures on targeting in consultation with cluster members and government counterparts, including clear roles for community committees, and institutionalization of capacity building for local authorities.
- ii) Implement the targeting procedures and criteria for conflict scenarios, adjusting as relevant based on the lessons learned and experiences gained from the current vulnerability-based targeting exercise.
- iii) Complete and execute governance mechanisms with government partners to facilitate the vulnerability-based targeting process and adjust implementation timelines as relevant.

Timeline for implementation

30 June 2022

⁴ WFP collects data in the form of beneficiary contact monitoring at the household level to ascertain beneficiary perceptions on targeting, choice, and preference of transfer modality.



Observation 2: Beneficiary data collection and management

36. As of 30 September 2021, from a cumulative total of 1.8 million beneficiaries reached, 80 percent were recorded manually or in spreadsheets, the balance (63,000) was enrolled in SCOPE.

Beneficiary registration and verification processes

37. Field visits to the Pemba district confirmed the existence of risks to the integrity of beneficiary data used for programme implementation and delivery of CBT assistance, including:

- Reliance on unverified manual beneficiary lists provided by district-level government counterparts.
- Absence of a defined and rigorously applied standard form of beneficiary identification to verify identities during distributions.
- Unverified manual lists compiled and approved by district administrators against beneficiary lists on spreadsheets by the CP.

38. The process for collecting beneficiary forms with beneficiary identifications started in August 2021. A verification process of newly displaced populations (added to the monthly distribution lists by triangulating data with master beneficiary lists in the custody of WFP) had recently been designed and was to be implemented.

SCOPE implementation strategy

39. The draft SCOPE strategy and workplan to prioritize beneficiary subgroups based on assistance, the timeline for implementation and biometric data to be used had not been updated to reflect current data collection limitations and define mid-to-long-term risk mitigation activities. The strategy did not mention the incompatibility between WFP's SCOPE and government systems. Privacy impact assessments for conflict response and social protection had not yet been finalized, contrary to corporate data protection guidelines.

40. Based on the follow-up of the interim audit in April 2021, the CO effectively:

- Developed SOPs for beneficiary registration and verification
- Engaged government counterparts to formulate data sharing agreements with the support of headquarters
- Developed SCOPE implementation plans based on programmatic requirements

41. These initiatives should contribute to improving the design of internal controls for beneficiary management, ensure compliance with data protection and privacy principles, improve data quality and decrease inclusion errors.

Underlying causes: Competing priorities to respond to emergencies and staffing issues; government partners deprioritization of strategy and tools for digitalization of IDP beneficiary information; absence of corporate guidelines on data sharing agreements with governments; limited CP capacity in beneficiary information management; and field level agreement requirements for the collection of mandatory beneficiary data not enforced.

Agreed Actions [High priority]

The country office will:

- i) Obtain the endorsement by government authorities of governance mechanisms that facilitate digitalization of Internally Displaced People beneficiary information.
- ii) Complete inter-agency level data sharing agreements and follow up on the renewal of agreements with government counterparts.



- iii) Enforce field level agreement requirements for cooperating partners to comply with the minimum mandatory data to be collected for beneficiary lists.
- iv) Finalize privacy impact assessments.

Timeline for implementation

30 June 2022

Observation 3: Accountability to affected populations

42. WFP's "Minimum Standards for Implementing a Complaints and Feedback Mechanism" guidelines define standard categories for all "cases"⁵ reported through the CFM. Under the guidelines, "fraud" may refer to cases where local leaders are said to have registered members of the host community to benefit from food assistance; and "corruption" may refer to instances where local leaders request payments to insert IDP names on beneficiary lists. The guidelines require COs to design procedures to adequately handle "high priority"⁶ "cases" reported through the mechanism, e.g. matters of fraud or corruption, and complaints related to sexual exploitation and abuse (SEA).

43. "Linha Verde da Resposta a Emergencia" is an inter-agency CFM comprising two major platforms, a toll-free hotline, and an e-mail address. In May 2019, Mozambique's United Nations Humanitarian Country Team endorsed this mechanism for reporting critical complaints including SEA. As such, Linha Verde is a critical pillar of WFP's accountability to affected populations in-country. The implementation of the CFM has successfully facilitated two-way communication between the affected population and humanitarian responders to improve assistance, identify gaps in services, and facilitate the urgent handling of protection "cases", including SEA.

44. The overall number of "cases" reported through the Linha Verde confirms the effectiveness of the inter-agency CFM, which requires a robust follow-up and referral system. Of the 47,278 "cases" reported through the mechanism since its inception in 2019, requests for information are the most common requests representing 68 percent of the cases.

45. The Protection Team had one staff member, who was also temporarily covering the regional humanitarian adviser role and coordinating a network of field office focal points. Considering the volume of "cases" received, their complexity and sensitivity, such staffing level was not sufficient to ensure appropriate protection mechanisms to the beneficiaries and timely follow-up of the issues reported.

46. According to Mozambique's programme design, community leaders are appointed by local authorities to represent the Government at the community level and facilitate assistance during interventions, making their position highly influential and sensitive. The critical role of community leaders in beneficiary targeting and registration was not clear or linked to accountability mechanisms, creating opportunities for and abuse of power. There is no contractual relationship between WFP and community leaders, therefore any fraud allegations can only be referred to local authorities.

47. Most "fraud" "cases" reported to the Linha Verde originated from the northern regions. These included 516 cases under the category 'abuse of power' for Cabo Delgado, followed by 163 categorized as 'fraud' and 152 as 'corruption'. "Cases" in the 'fraud' category related to manipulating beneficiary lists by community leaders.

⁵ "Cases" in this observation refer to the terminology used in the Linha Verde guidelines. Cases are calls received through the inter-agency platform. These include requests for assistance, positive feedback, complaints, and requests for information.

⁶ The definition of priority is in reference to the WFP's "Minimum Standards for Implementing a Complaints and Feedback Mechanism" guidelines, not those of WFP's Office of Inspection and Investigations.



48. The CO reported several “cases” of abuse of power by community leaders to the Office of Inspections and Investigations in 2020 and 2021. The CO also followed up several alleged “cases” of abuse of power with district authorities, yet with little changes to WFP’s programme design or the role of community leaders to date. At the time of the audit mission, the CO was exploring new channels for reporting and follow-up with the Institute of Disaster Management and the CFM department at the National Institute of Social Action.

49. In July 2021, the CO implemented a new cyclical beneficiary verification process as a mitigating measure. Anomalies were flagged during distribution and followed up through CP household verifications. The Office of Internal Audit reviewed a sample of verification reports for June to August 2021, highlighting potential inclusion errors between 30 to 50 percent. In addition, some CPs reported that community leaders were hampering physical household verifications.

Underlying causes: Mechanism to escalate abuse of power “cases” to the national Government to be established; recent strategy to transition to vulnerability-based targeting; insufficient mechanisms for WFP’s oversight over the targeting process in view also of government-imposed access limitations; and gaps in the Protection unit’s staff capacity.

Agreed Actions [High priority]

The country office, in consultation with national government counterparts, the Humanitarian Country Team, and WFP’s Legal Office will:

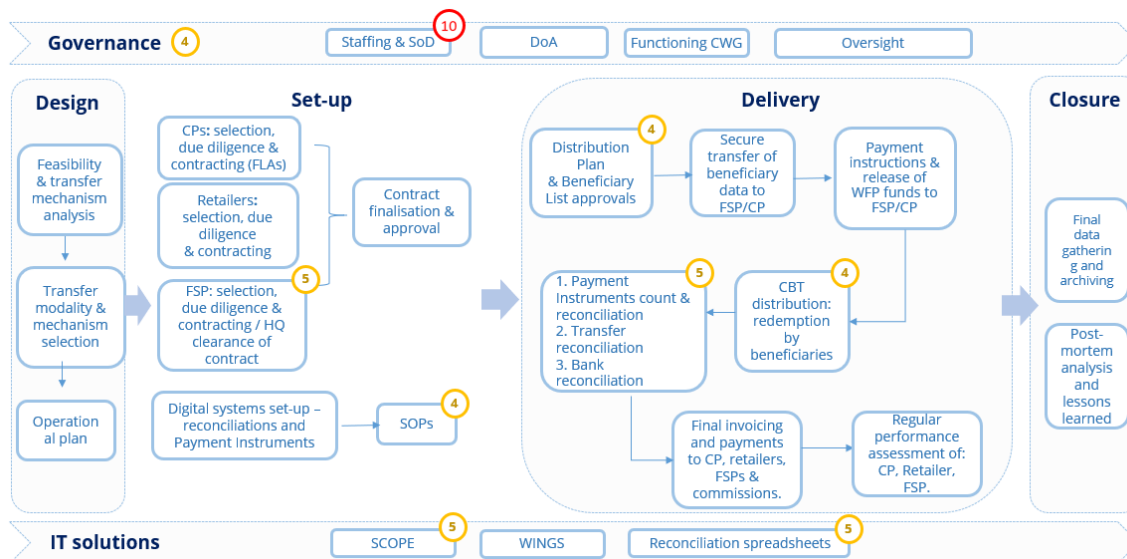
- i) Establish a process to escalate abuse of power “cases” to government authorities at the national and local level and follow up.
- ii) Revise its programme design to ensure sufficient oversight from WFP over the beneficiary management process to effectively mitigate the risk of manipulation of beneficiary lists, inclusion/exclusion errors and protection of beneficiaries overall.
- iii) The country office will assess the Protection unit’s staffing structure and capacity and adjust as relevant.

Timeline for implementation

30 June 2022



Cash-based transfers



Observation 4: Cash-based transfer governance and strategy

50. Over the audit period, the CO scaled up its cash interventions across most CSP programme activities, reaching a total transfer value of USD 27 million in 2020. Value and commodity vouchers in paper form accounted for 94 percent of the total transfer value. As the CO shifted to digital transfer mechanisms, the audit reviewed the CO’s CBT strategy, governance, and processes and noted various improvement areas.

Cash-based transfers strategy and planning

51. Effective implementation of CBT strategic initiatives, including action plans from the CBT maturity model, strengthening of human resources and workforce planning, and the shift from paper vouchers to digital payment solutions, were affected by the high turnover of staff. High rotation of staff also affected the continuity of operations and knowledge transfer.

52. The SCOPE strategy and roll-out, and subsequent registration of beneficiaries were not well aligned to programmatic requirements: in some provinces, the beneficiary registration process resulted in data not meeting minimum quality standards and, due to COVID-19 restrictions, most beneficiary data was collected without biometrics.

Cash-based transfer standard operating procedures and distribution plans

53. The SOPs for managing payment instruments (paper and digital payments) for crisis response and school feeding activities were in draft. Segregation of duties was not mapped to current staffing positions.

54. While changes impacting CBT distribution and operational plans were discussed in the internal cash-based transfers working group and pipeline meetings, these were not consistently updated to track progress.

55. Monthly distribution plans were not adequately documented, with limited reference to the operational plan, and without evidence of approval by CO management.

56. Following the interim audit in April 2021, the Office of Internal Audit noted progress in the design of governance mechanisms for CBT:



- A draft CBT strategy was developed and at the review stage, and CBT SOPs have been finalized and endorsed by the internal cash working group.
- Monthly operational plans were completed.
- As of October 2021, WFP had advanced the lessons learned from a joint voucher programme implemented with UNICEF, to assess CBT fraud risk and develop mitigation actions.

Underlying causes: Lack of stability in CBT staffing at CO level (see observation [10](#)); recurrent emergencies resulting in changes in prioritization of workstreams; limited oversight capacity to ensure compliance with corporate CBT guidelines; and COVID-19 imposed beneficiary access restrictions.

Agreed Actions [Medium priority]

The country office will:

- Finalize the cash-based transfer strategy, ensure it aligns with the new Country Strategic Plan vision, and incorporate the country office workforce planning exercise results.
- Finalize the update to the cash-based transfer standard operating procedures and ensure their implementation is consistent and enforced.
- Enforce consistent updating, review, and approval of monthly cash-based transfer distribution plans according to corporate guidelines. In consultation with the Regional Bureau for Southern Africa, and the Enterprise Risk Management Division as relevant, finalize the assessment of cash-based transfer fraud risks mitigation strategies, considering lessons learned from the WFP and UNICEF joint cash intervention pilots.

Timeline for implementation

30 April 2022

Observation 5: Cash-Based Transfer reconciliations

57. The CO implemented a risk management strategy by gradually shifting from paper vouchers to digital cash payment solutions. Opportunities for improvement were noted for the roll-out of digital cash payment solutions as follows.

Cash-based transfer reconciliation and standard operating procedures

58. The CO reconciles distribution for the transfers made via beneficiaries' e-wallet accounts. Controls could be strengthened by reconciling the fees charged to the WFP e-wallet account with actual summary statements received from the financial service provider (FSP), thereby avoiding manual computations to estimate FSP service charges.

59. An SOP for the reconciliation processes was needed to ensure segregation of duties during the reconciliation and management of e-wallets, as well as a tracking sheet to maintain a record of unsuccessful beneficiary e-wallet transfers.

Beneficiaries with no mobile virtual accounts

60. Among the beneficiaries receiving assistance through beneficiary electronic wallets, a group of 5,300 household beneficiaries did not meet the "know your customer" requirements; others were using different network service providers. As a result, these beneficiaries did not have corresponding e-wallet accounts and received their benefits through a value text message, which they used to redeem benefits from the FSP's network of cash agents. The CO received a report of successful transfers but did not receive confirmation of the redemption of their benefits, thereby limiting its ability to detect unredeemed benefits. In these cases, the CO relied on complaints raised by beneficiaries to detect issues in the redemption of benefits.



SCOPE and retailer reconciliation

61. Beneficiaries served through the SCOPE closed-loop system did not always match the number of beneficiaries with SCOPE cards received and activated. As a result of challenges in the functionality of SCOPE cards, alternative, manual distributions at retailers were used to enable beneficiaries to redeem their benefits.

62. As of October 2021, the CO made progress implementing the agreed actions issued in April 2021, with most of the CBT internal control design issues addressed.

- The SOP for the monthly reconciliation process for transfers through beneficiary virtual e-wallets was developed, endorsed by the internal cash working group, and approved by management.
- Follow-up efforts were ongoing with one of the FSPs to provide summary statements for transfer fees charged and redemption reports for the value vouchers; both would significantly improve the monthly reconciliation process.
- The FSP distributing value vouchers started to provide monthly reports for unredeemed benefits to beneficiaries of the text voucher system, which are then used for reconciliation purposes.
- Lessons learned exercise from the implementation of the joint voucher programme with UNICEF was in progress, and the CO will use the outcomes to strengthen internal controls for future transfers made through the SCOPE close loop system (refer to paragraph 62)

Underlying causes: High staff turnover in CBT and Supply Chain unit (see observation 10); recurrent emergencies resulting in changes in prioritization of workstreams; limited oversight to assess compliance with CBT corporate guidelines; and limited assessment performed of the FSP digital system's reporting capabilities during contracting.

Agreed Actions [Medium priority]

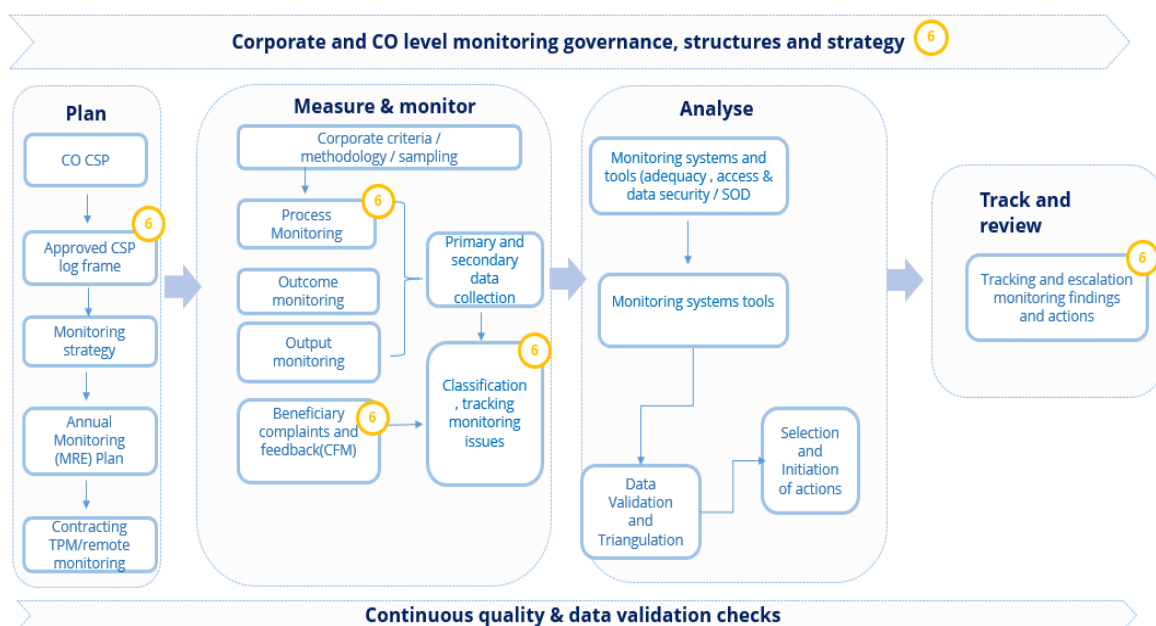
The country office will obtain periodic summary transfer fee statements from the financial service provider and reconcile these statements to the transfer fees charged to the WFP e-wallet account.

Timeline for implementation

31 March 2022



Monitoring



Observation 6: Monitoring and reporting on programme activities

Allocation and distribution of field monitors at Strategic Outcome levels

63. As of November 2021, the CO had 99 field monitors distributed across seven field offices. This number was inadequate to provide monitoring coverage in some provinces. Some field monitoring positions had remained vacant for prolonged periods, impacting monitoring activities.

Monitoring coverage and periodicity of monitoring reporting

64. The CO did not analyse planned food distribution points versus actual sites visited to assess monitoring coverage. In addition, needs assessment and training of field monitors on the use of monitoring tools was not systematic. The CO produced quarterly process monitoring reports and needed to formalize escalation protocols for the monitoring findings and to improve their consistent follow-up.

Role of the protection unit

65. CP performance evaluations forms refer to accountability to affected population, an area under the responsibility of the Protection unit. The Protection unit was not involved in the assessment process and the Programme unit acknowledged that a more formal consultation with the Protection unit was needed as part of future CP evaluations.

66. Following up on the implementation of the recommendations issued to the CO on April 2021, the audit noted that the CO:

- Aligned the allocation of its field monitors per province based on operational needs, and created adequate tools to assess monthly monitoring coverage.
- Developed a tracking sheet to follow up on monitoring recommendations.
- Recently migrated CFM data to an online platform to facilitate case analysis, including ageing of cases, and enhancing coordination with the monitoring team through the identification of common issues.



Underlying causes: Challenges in recruiting staff for some field office locations that have witnessed exponential growth in size; lack of criteria to support the ratio of field monitors allocated to each province; deprioritization of issue follow up in the monitoring tracker; Protection unit not included during CP performance evaluations.

Agreed Actions [Medium priority]

The country office will:

- i) Consistently update the monitoring tracker and follow up on the implementation of monitoring recommendations.
- ii) Follow up and track implementation of complaints and feedback mechanism issues escalated to focal points and perform an ageing analysis of open cases.
- iii) Include contributions from the Protection unit's in the Cooperating Partners' performance evaluation process.

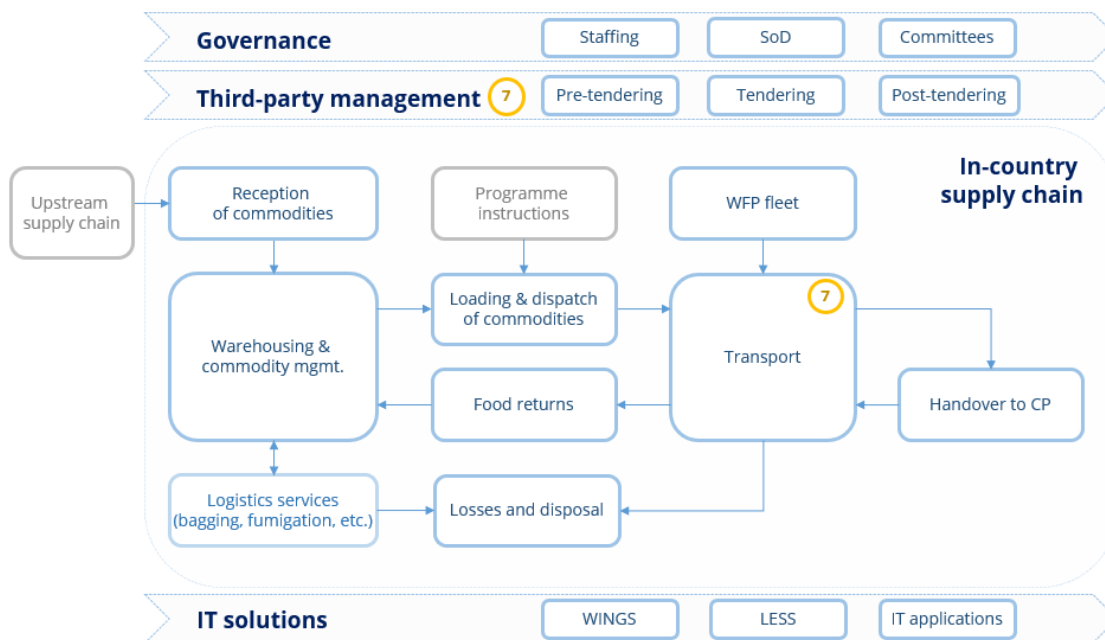
Timeline for implementation

31 March 2022



Supply Chain

Logistics



Observation 7: Management and contracting of transporters

Market assessments

67. The CO assessments were improving and included the completion of transporter market assessments in 2019 for some geographic regions, and regular updates to the transporter shortlist. There were opportunities to improve the documentation and harmonization of market analysis conducted at the provincial level. The CO was yet to conduct a Logistic Service Market Assessment in compliance with WFP corporate requirements.

Documentation and review of the tariff system

68. The CO started using the tariff system contracting modality in 2005, a modality not meant to be used for long-term for landside transport contracting. Since then, other contracting modalities have been used for school feeding activities. In 2019, the Regional Bureau for Southern Africa recommended that the CO expand its use of other contracting modalities outside the tariff system by the end of the first quarter of 2020. The CO decided to carry on using the tariff system to maintain an adequate pool of transporters to accommodate fluctuations in transport needs. The decision to maintain the tariff system, its alignment with market conditions and comparative considerations with a single contractor award had not been presented and endorsed by the Local Transport Committee in compliance with corporate requirements. A specific communication to the Committee of Supply Chain, a corporate requirement, on the continued use of the tariff system also remained outstanding as of October 2021.

69. Opportunities for improvement to the CO's supply chain SOP included: (a) detailing the requirements for specific geographic regions; (b) consideration of changes to operational needs driven by the shift from in-kind to cash-based interventions; and (c) details on how tariffs are determined.



70. Following the interim audit in April 2021, the CO agreed with the Field Support unit in headquarters and the Regional Bureau for Southern Africa to conduct in March 2022 a Logistic Service Market Assessment under the new guidelines. The planned Logistic Service Market Assessment would then be used to assess the decision to maintain the tariff system or change to other transporter tendering and contracting systems.

Underlying cause: COVID-19 restrictions affecting the capacity to update and review contracting modalities; and competing priorities limiting consistent oversight and compliance with the WFP transport manual guidelines.

Agreed Actions [Medium priority]

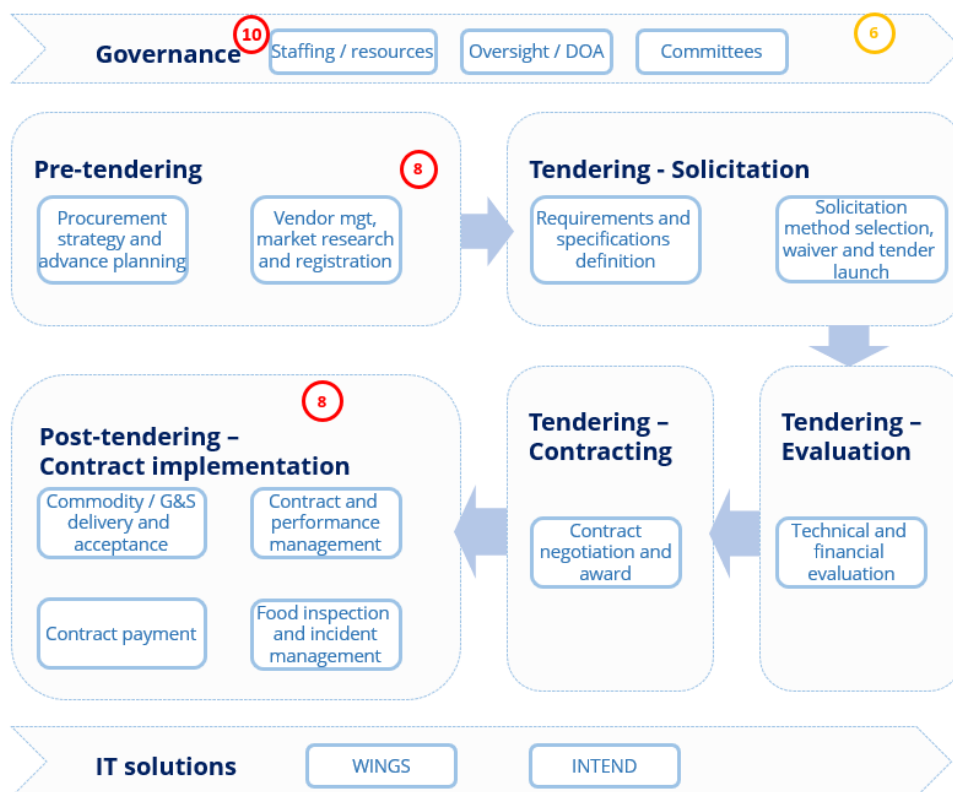
The country office will:

- i) Conduct a Logistic Service Market Assessment in line with corporate requirements.
- ii) Based on the approved Logistic Service Market Assessment, re-assess the decision to maintain the tariff system against the use of single contractor awards, giving consideration to specific geographic and programmatic areas and following relevant corporate guidelines for review and approval.

Timeline for implementation

- i) **30 June 2022**
- ii) **30 September 2022**

Procurement





Observation 8: Procurement and retailer monitoring

Roster of food vendors

71. More than 70 percent of the total value of food purchase orders (USD 76 million) for the period 2018–2020 was concentrated on four suppliers, three of which were active traders in national and international markets. This concentration limited the CO's ability to carry out effective price negotiation. Other factors limiting WFP's supplier base include few market intelligence activities to expand the roster of food vendors; customs clearance hindrances when importing commodities; and local suppliers challenges in meeting WFP food safety and quality requirements.

72. In February 2021, the CO signed an agreement with the Global Commodity Management Facility (GCMF) for the forward purchase of food commodities to diversify food commodity sources and to support smallholder farmers. A comprehensive analysis of the opportunities from sourcing some of its food requirements from smallholder farmers is needed, to complement the CO's food sourcing strategy.

Retailer monitoring and price volatility

73. The in-country review by the audit team of Cabo Delgado' CFM case log for 2021, and field meetings with food distribution committees, confirmed reported complaints of retailer price speculation, with prices reportedly increasing between 15 to 30 percent during distributions.

74. As of October 2021, implementation of interim audit agreed actions issued in April 2021 related to the update of the food vendor rosters and the assessment of opportunities to further engage smallholder farmers for some food commodities was still in progress. An analysis of food commodity purchase orders for the period January–September 2021, totalling USD 26 million, re-confirmed the vendor concentration already noted for 2020 (refer to paragraph 71).

Underlying cause: Limited capacity to conduct market intelligence and price monitoring activities; COVID-19 restrictions limiting physical field assessments of food prices; limitations of local suppliers; scale-up of emergency response activities prioritized over strategic, planning and monitoring activities; and high staff turnover in Vulnerability Analysis and Mapping and Supply Chain units.

Agreed Actions [High priority]

The country office will:

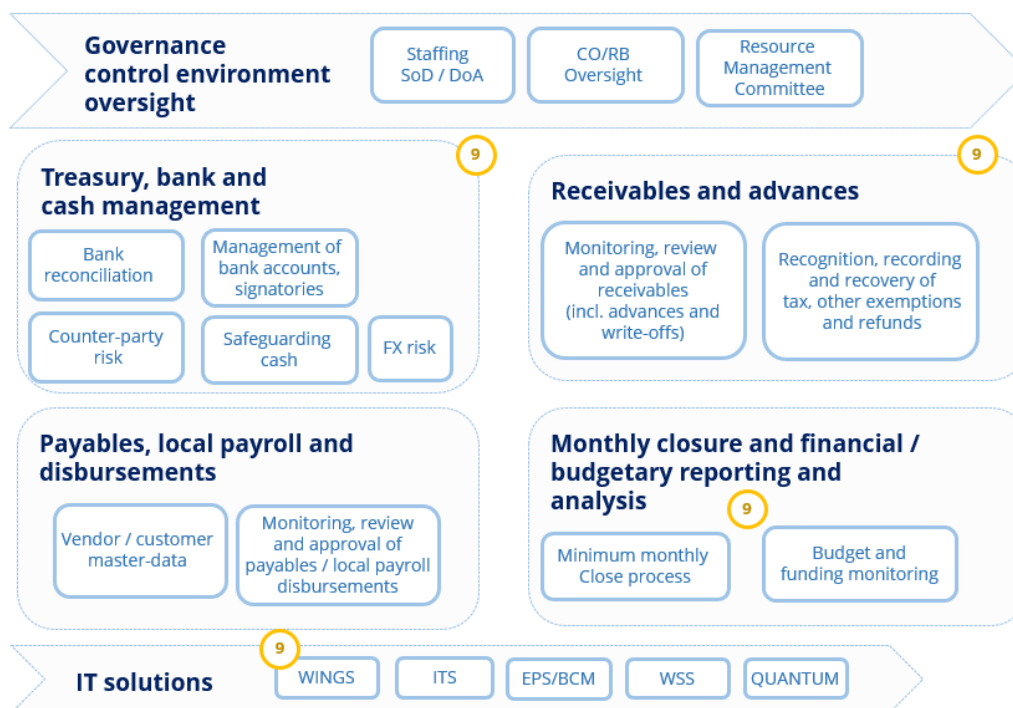
- i) Perform a market intelligence exercise for all key commodities sourcing, review and update related vendor rosters.
- ii) Perform a Strengths Weaknesses Threats and Opportunities analysis, through coordination with the relevant Programme and Supply Chain units, to assess the engagement of smallholder farmers in the country office's strategy to diversify food sourcing.
- iii) In coordination with the Vulnerability Analysis and Mapping and Monitoring units, reinforce retailer management at the field office level through staffing of the Supply Chain unit and systematic price monitoring and reporting.

Timeline for implementation

30 June 2022



Finance



Observation 9: Treasury, receivables and advances

Receivables and advances

75. As of 31 December 2020, the CO reported long-outstanding accounts receivable balances relating to (a) value-added tax receivables totalling USD 11 million; and (b) a vendor advance balance of USD 3.9 million relating to cash advances made to the Ministry of Education and Human Development for the implementation of school feeding activities dating back to 2018. Efforts to collect the value-added tax balances and vendor advances with support from WFP’s Legal Office were ongoing at the time of the finalization of the audit report.

Follow-up on the suspected cheque fraud case

76. Following the alleged embezzlement of funds by a WFP employee in June 2021, the CO implemented changes in treasury management, reducing the cash flow requirements for sub-offices, cancelling cheque payments, and centralizing retailer payments at the CO level. The CO also implemented new procedures for operational advances.

77. The audit noted further opportunities to strengthen internal controls, including the segregation of duties for finance officer roles. At the time of the audit report, the corporate Financial Systems and Processes unit in headquarters was deploying the new WINGS user profile system to enforce segregation of duties better.

78. The CO provided fraud examination training to three of its finance staff on October 2022 and organised capacity and awareness of fraud for the whole CO.

Underlying causes: Absence of oversight and monitoring compliance with WFP Finance and CBT financial management guidelines; and absence of automated segregation of duties controls in WINGS.



Agreed Actions [Medium priority]

1. The Financial Systems and Processes unit will deploy and implement WINGS system controls to address the segregation of duties conflict identified.
2. The country office will continue to follow up on recovering the value-added tax balances and reconciliation of long-outstanding vendor advances or determine the appropriate accounting treatment of these balances in line with International Public Sector Accounting Standards.

Timeline for implementation

1. **31 March 2022**
2. **31 December 2022**



Human resource management

Observation 10: Human resource management

79. In December 2020 non-fixed-term contract types in the CO constituted approximately 87 percent of total staffing. The CO faced difficulties sourcing staff with relevant technical skills and Portuguese language knowledge locally and internationally, impacting the stability and continuity of key functional areas. This finding was one of the root causes of many of the observations in this report.

Organizational realignment

80. The CO's organizational structure and staffing were yet to be aligned to the scale of emergency operations in the country. Several key positions had been vacant for extended periods or staffed with short-term staff, including critical functions in CBT, supply chain and monitoring. Misalignment of roles, positions, and reporting lines is linked to some of the observations presented in this report, including beneficiary management (observation 1) and supply chain (observation 7 and 8).

81. The Office of Internal Audit's follow-up mission in October 2021 observed the CO was undertaking an organizational realignment exercise based on CSP priorities and funding forecasts. The CO was planning to group positions based on their criticality to the operation and funding availability.

Surge capacity planning and roster management

82. The CO's local rosters, used to facilitate staff surge capacity, were exhausted. The Regional Bureau for Southern Africa recommended in August 2020 that the CO evaluate different avenues for staff recruitment to build up the rosters, the implementation of which was still ongoing. To build the talent pipeline, the CO introduced a local internship programme and created a roster for critical functions such as CBT.

83. In 2021, the CO filled the positions heading CBT and the Research, Assessments and Monitoring units and recruited an international procurement officer. Recruitment was ongoing for other key positions such as Head of Field Office in Beira and Pemba, whilst turnover remained high. As of October 2021, 88 percent of staff were still under non-fixed-term contract types. Challenges in staffing emergencies and the need to refresh the rotational pool with new or external talents were highlighted in the Reassignment Internal Audit report⁷ and will be followed up with a specific audit of human resources in emergencies in 2022.

Underlying causes: Recurrent emergencies stretching local capacity; limited programme support and administrative funding options to support core positions in the absence of an emergency operation.

Agreed Actions [High priority]

The country office will:

- i) Complete and implement organizational realignment exercise changes based on current and upcoming Country Strategic Plan priorities.
- ii) In consultation with the Regional Bureau for Southern Africa, develop a roster that will cater for staffing requirements during emergencies, including specialized skills such as cash-based transfers, supply chain and Portuguese language knowledge.

Timeline for implementation

31 July 2022

⁷ 2021 Internal Audit of the Reassignment process in WFP, AR/21/09



Annex A – Agreed action plan

The following table shows the categorization, ownership and due date agreed with the auditee for all the audit observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

The agreed action plan is primarily at the CO level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Targeting and prioritization of affected populations	Beneficiary Management	CO	Medium	30 June 2022
2	Beneficiary data collection and management	Beneficiary Management	CO	High	30 June 2022
3	Accountability to affected populations.	Beneficiary Management	CO LEG	High	30 June 2022
4	Cash-based transfer governance and strategy	CBT	CO	Medium	30 April 2022
5	Cash-based transfer reconciliations	CBT	CO	Medium	31 March 2022
6	Monitoring and reporting on programme activities	Monitoring	CO	Medium	31 March 2022
7	Management and contracting of transporters	Supply Chain- Logistics	CO	Medium	i) 30 June 2022 ii) 30 September 2022
8	Procurement and retailer monitoring	Supply Chain- Procurement	CO	High	30 June 2022
9	Treasury, receivables, and advances	Finance	FINS CO	Medium	i) 31 March 2022 ii) 31 December 2022
10	Human resource management	HR	CO	High	31 July 2022

Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonised audit rating definitions, as described below:

Table B.1: Rating system

Rating	Definition
Effective / satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well, to provide reasonable assurance that issues identified by the audit were unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory / some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
Partially satisfactory / major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated.

2 Priority of agreed actions

Audit observations are categorized according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Table B.2: Priority of agreed actions

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have a broad impact.⁸

⁸ An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.



3 Monitoring the implementation of agreed actions

The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions is verified through the Office of Internal Audit's system for the monitoring of the implementation of agreed actions. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

Office of Internal Audit monitors agreed on actions from the date of the issuance of the report with regular reporting to senior management, the Audit Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, the Office of Internal Audit will issue a memorandum to management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, the Office of Internal Audit continues to ensure that the office in charge of the supervision of the unit who owns the actions is informed. Transparency on accepting the risk is essential, and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. Office of Internal Audit informs senior management, the Audit Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



Annex C – Acronyms

CBT	Cash-Based Transfer
CFM	Complaints and Feedback Mechanism
CO	Country Office
CP	Cooperating Partner
CSP	Country Strategic Plan
FSC	Food Security Cluster
FSP	Financial Service Provider
GCMF	Global Commodity Management Facility
IDP	Internally Displaced People
SCOPE	WFP's beneficiary information and transfer management platform
SEA	Sexual Exploitation and Abuse (SEA)
SOP	Standard Operating Procedure
UNICEF	United Nations Children's Fund
VBT	Vulnerability Based Targeting
WFP	World Food Programme
WINGS	WFP Information Network and Global Systems